

The University of Chicago

BUDGETARY
CONTROL AND ACCOUNTING FOR
SOCIAL AGENCIES

A PART OF A DISSERTATION SUBMITTED
TO THE FACULTY OF THE SCHOOL
OF BUSINESS IN CANDIDACY FOR THE
DEGREE OF DOCTOR OF PHILOSOPHY

1937

By
MONROE S. CARROLL

Private Edition, Distributed by
THE UNIVERSITY OF CHICAGO LIBRARIES
CHICAGO, ILLINOIS

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PREFACE

An interest in the tools of the business manager coupled with a general inquisitiveness and interest in social problems has furnished an incentive for the work of this study which is devoted to the adaptation of two of the techniques of the business manager--Accounting and Budgetary Control--to the business problems of the Social Service Management.

Quantitative materials presented in the study were collected from social agencies within the vicinity of Chicago during the Spring and Summer of 1931 and from correspondence with national agencies. The complete study of 300 pages in addition to the material shown in the table of contents contains numerous illustrations and tables.

Since the inception of the study, Chicago agencies have adopted the Community Chest plan of central finance.

The writer wishes to express his appreciation to Dean W. H. Spencer, of the School of Business, for his helpful suggestions and the courtesies extended by his office, and to his dissertation Committee composed of Professors W. N. Mitchell, Chairman, J. O. McKinsey, S. P. Meech, H. C. Daines, and Chester F. Lay (of The University of Texas, who was a member of the original committee) for their helpful suggestions and criticisms.

The writer also acknowledges his indebtedness to directors of the Community Chest, National Agencies and Foundations mentioned in the study, for their suggestions and materials.

Monroe S. Carroll

CHAPTER I
THE IMPORTANCE OF SOCIAL AGENCY
ADMINISTRATION

Social Agency Organizations

Agencies engaged in social work are almost innumerable. New York City has more than 1500 agencies, which were classified by Mr. Mayo Fessler under some twenty-one classifications.¹

The well known Elwood Street, Director of the Community Chest of Washington, D. C., in discussing the Results of Bad and Good Administration had the following to say:

The quality of administration may make all the difference between success or failure in the program of an organization..... So-called "social agencies" have been observed in which the records of admission were kept on scraps of wrapping paper, and in which the penciled accounts were kept in the cheap notebook originally used by the grocer with which they traded. Organizations have been found which did not know how much money they had received, how much they had spent, how many families or individuals they had cared for, or what quantity or quality of service they had rendered.²

Usually the human services of agencies are no better than their business methods.

Social Agency Defined

Edward T. Divine says:

Social Work then is the sum of all efforts made by society to take up its own slack to provide for individuals when its established institutions fail them; to supplement those established institutions and to modify them at those points at which they have proved to be badly adapted to

¹Cecil C. North, The Community and Social Welfare (New York, 1931), p. 11.

²Elwood Street, Social Work Administration (New York, 1931), p. 1.

social needs.¹

A social agency (so says Elwood Street) includes any organization, public or private, rendering service either to individuals or groups, or working for social reform, carrying on an organized program under responsible leadership for persons other than those who operate the organization. Social work is variously known as charity, as philanthropy, as community service, as welfare work. All of these mean social work; and the administration of social work refers to the business, non-professional aspects of operating these so-called social agencies.²

Charities may be classified under two main divisions; namely, first, public charities, and second, private charities. This discussion shall deal mainly with private charities. Miss Johnson thus defined private charities:

By Private Charities are meant those charities supported from voluntary contributions and administered by individuals or incorporated bodies which are interested in the charity for its own sake.³

Needs for Social Work

The American city has made its rapid development since the Civil War. Unfortunately, social understanding and social control have not had a parallel development. The complex problem of the city has been contributed to by such factors as: hordes of foreign born, until recently, flocking to America; both white and black from rural districts seeking the city by the millions; many of the weaker and more helpless seeking the city for assistance; the unemployed adding their difficult problems.⁴

These unabsorbed and unadjusted have fallen a prey to

¹Edward T. Divine, Social Work (New York, 1922), p. 21.

²Street, op. cit., p. 2.

³Arlien Johnson, "Public Policy and Private Charity." Unpublished Ph. D. dissertation, University of Chicago, August, 1930.

⁴North, op. cit., pp. 3-24.

the unscrupulous, criminal, degenerate, prostitute and mendicant.

It was in response to this need that agencies throughout the United States were formed. Until the recent "crash" people have been prosperous and many had a surplus out of which they could promote philanthropy. There were as many types of agencies as there were individuals. Management ranged from the highest type, such as that exemplified by Miss Jane Addams of the Hull-House, to that of the fly-by-night type.

Three Groups of Agencies¹

Sociologists have for a long time recognized the elementary principle that cooperation cannot exist where there is no like-mindedness of purpose. Despite the fact of lack of common purpose, agencies may be classed according to the three following groups: public or tax supported agencies; those of ecclesiastical or religious origin; agencies created and maintained by private secular philanthropy.

The public or tax supported group of agencies has been created and maintained by states, counties, and municipalities. The 1929 report of expenditures of state governments for charities, hospitals and corrections showed an aggregate expenditure of \$215,627,000. This expenditure was 10.5 per cent of the states total, or \$1.79 per capita.²

While the state governments were spending \$1.79 per capita for charities, hospitals, and corrections, each city in the United States above 30,000 population was spending on an average of \$2.78 per capita from tax money.³

¹North, op. cit., pp. 12-18.

²Robert Lyman (ed.), World Almanac and Book of Facts (New York: New York World Telegram, 1932), p. 223.

³Ibid., pp. 232-233.

Agencies of religious origin are the oldest and in most cases the most firmly fixed in the habits and thoughts of the general population. Welfare activities are to many a means of giving expression to religion.

In the case of the Roman Catholic group the Church has for the most part accepted the administration of the affairs of its numerous agencies. Hospitals and children's institutions are the best known of the Roman Catholic group of agencies.

The Protestant group, in so much as a policy has been formulated, has tended to favor the creation of administrative machinery for welfare activities outside of the Church. In exceptional cases Protestant ecclesiastical control is exercised in welfare work.

The Jewish group--a race rather than a religion--has gone even further than the Protestants in establishing independent secular agencies. In Chicago, as in other large American cities, a central organization of Jewish Charities directs the raising of funds for member agencies.

Agencies maintained under private secular control are subject only to the policies and plans of their administrative board (except for the general regulation of state, municipality or association).

Any group of individuals may create an agency to take care of any need which appeals to their peculiar taste of philanthropy. A number of Chicago's leading agencies are operated under this plan as well as under the plans previously suggested.

Tax Supported Agencies Versus Privately Supported Agencies

C. E. North, Professor of Sociology, Ohio State University, points out that during the first quarter of the century there was a remarkable development of public welfare activities

in American cities. Private agencies had also developed. Earlier in the century it was not thought that any good could come out of public welfare activities.

The trend to place more work on the public department of welfare is due to several causes:

1. In the first place, the quality of municipal government and public welfare has improved to such extent that people are willing to place more confidence in it.

2. The general citizenship has come to recognize the tremendous importance of providing for health, recreation, control of delinquency, protection of childhood and the care of the needy.

3. Social workers have appreciated the difficulty of caring for the greatly expanded work through private philanthropy and have summoned the resources of the entire community.¹

Since the new emphasis on public welfare, one may readily raise the question, "What place, if any, is the privately supported social agency to occupy in the future?"²

The American democratic system of government and profit-seeking economic order creates an atmosphere for expressing individual ideas of welfare needs in privately administered social agencies. Professor North says:

While much progress has been made in public welfare administration, we have still a long way to go before we can dispense with private philanthropy. We undoubtedly will need it for many years to come..... Any study of the improvement of public administration reveals the fact that most reforms have come from the efforts of small groups of citizens who have led the way in revealing new needs, in demonstrating how they might be met, and in offering constructive criticism and friendly cooperation to public officials who have made

¹North, op. cit., pp. 40-41.

²For a discussion of the subject see ibid., pp. 40-50.

beginnings toward the new service.¹

Subsidizing of private agencies by public funds is generally condemned, but the continued need for privately financed and administered agencies is accepted.²

Under our present system of a combined practice of both public and private social agencies in nearly every American city, the private agencies may be expected to perform some of the following services:

1. Well established agencies which are adequately financed by endowment funds should continue to render service in terms of modern day needs and practices.
2. They should take the lead in educating the public to community needs not yet met by private or public agencies.
3. They should coordinate their work with public agencies so as to eliminate duplications of work and so as to be able to serve during periods of unusual stress.
4. Privately supported agencies are in a much better position to experiment and execute plans without the usual restrictions of governmental bodies; therefore, they should set standards concerning:
 - (a) Investments in fixed assets to service rendered
 - (b) The ratio of expense items to total expense, e. g., administrative expense to total expense
 - (c) Relation of working hours, pay and amount of work, e. g., number of cases to case worker
 - (d) Best method of accomplishing a specific work-- example as to whether orphan children can be more adequately cared for in dormitories, small cottages or in foster homes

¹Ibid., p. 43.

²Ibid., p. 51.

(e) Types of records to be maintained and most effective reports to be prepared from records: relation of service to finances

(f) Most effective methods of budgetary control.

Scope of Private Philanthropy

Few persons, if any, would deny the tremendous importance of properly controlling the expenditures of a city, state, or the national government. Yet the gifts to philanthropy for each of the six years beginning in 1924 and extending through 1929 exceeded two billion dollars. This annual sum is greater than the budget of any state government and was not exceeded by the Federal Government until the World War. The Federal budget for 1929 was \$4,075,598,071, while philanthropic enterprises received \$2,450,720,000, sixty per cent of the national sum.¹ True enough this sum was not all spent by social agencies or by a limited few organizations. The fact that numerous agency administrators were in charge of receiving, controlling, and expending the funds makes it the more important that proper standards and methods were worked out for social agency executives.

It is interesting to note that for 1924 and the five years immediately following, the donations to private philanthropy exceeded two billion dollars and that each year there was an increase in the amount.²

¹A. B. Hart (ed.), The American Year Book (New York: The American Year Book Corporation, 1932), p. 151.

²Lyman, op. cit., p. 138.

TABLE I

Years	Annual Donations
1924	\$2,000,320,000
1925	2,068,570,000
1926	2,192,680,000
1927	2,219,700,000
1928	2,330,600,000
1929	2,450,720,000

This two billion four hundred fifty million for 1929 was distributed as shown in Table II.

TABLE II

1929 DONATIONS TO PHILANTHROPY

Causes	Amounts
Religion	996,300,000
Education.	467,500,000
Personal Charity . . .	279,760,000
Organized Charity. . .	278,710,000
Health	221,510,000
Foreign Relief	132,000,000
Fine Arts.	40,000,000
Play and Recreation. .	20,900,000
Reform Organization. .	14,040,000

It is difficult to say just what part of this enormous sum would be properly classed as donations to Social Agencies, for agency work comes within each of the nine classifications. The most conservative estimate would place agency receipts in excess of a half billion dollars.

The 1931 Directory of the Association of Community Chest and Councils shows that cities in the United States raised from 24 cents per capita to \$5.93 per capita in the highest ranking

city, Middletown, Ohio.

Five cities, each in excess of a million population, gave to their Community Chest in 1931 as is shown in Table III.

TABLE III

GIFTS OF COMMUNITY CHEST CITIES
IN EXCESS OF A MILLION POPULATION

Name	Population	Amount	Per Capita
Cleveland	1,150,000	\$5,415,838	4.71
Detroit	1,703,395	3,360,000	2.15
Los Angeles	1,294,500	2,718,878	2.17
Philadelphia	2,007,000	3,239,238	1.61
Pittsburgh	1,500,000	1,568,165	1.05

Chicago's Philanthropy

Though Chicago does not have a Community Chest plan of financing, its social agency work is among the best of the country.¹ The Y. M. C. A. for 1931 reported expenditures of \$5,560,748.13. That one figure alone would make Chicago's per capita expenses for social agencies above many community chest cities; of course, part of the Y. M. C. A.'s expense was derived from operations. Jewish Charities spent \$1,182,322.36; the Presbyterian Hospital, \$1,037,623.92; Infant Welfare Society, \$190,376.82; Children's Memorial Hospital, \$312,263.26; Illinois Children's Home and Aid Society, \$390,626.00; Hull-House Association, \$124,603.57; and other leading agencies comparable sums.

Chicago's agencies, no doubt, furnish one of the very

¹Since the beginning of this study, the Community Chest plan has been adopted by Chicago agencies.

best laboratories of the entire United States for a study of Social Agency Administration.

Purpose of this Investigation

The writer's interest in the recent developments which have provided tools and techniques for the executive of business organizations has encouraged a delving into the problems of social agency executives with a view:

1. To learn of management problems in which accounting and budgetary control may be useful tools for social agency administration.
2. To discover the status of accounting and budgetary control in social agency administration.
3. To determine whether a field of practice exists to which the attention of accountants may be directed.
4. To make an application of accepted accounting and budgetary business control principles and techniques to social agencies.

CHAPTER II

SCOPE AND METHOD OF INVESTIGATION

Intentions of Writer

It is not intended that this study shall be exhaustive, rather, that it shall be somewhat typical in that it shall represent Gentile and Jew, sectarian and non-sectarian, agencies endowed and unendowed, those well supplied with funds and those with a dearth of funds. The aim of this study is practical rather than speculative in that it is based on what is being done in agencies rather than theoretically what may be done. However, the conclusions and appraisals shall include recommendations and suggestions for improvement.

Library References

This dissertation had its real beginning in a search of the library in an effort to determine what written thought had been given to Social Agency Accounting or Budgeting. The library search revealed a paucity of literature in this field.

The library work was done somewhat according to this order. Examination was made under numerous titles of all available indices.¹

Leading periodicals and books in the Social Service field of study were also reviewed as well as book reviews in magazines. Special examination was made of the Annual Reports of the Conference of Social Work.

¹Accountant's Index, Card Catalogue of the library, Cumulative Book Index, Industrial Arts Index, Reader's Guide (Poole's Index before 1906, Reader's Guide Supplement, International Periodical, Public Affairs' Information, Engineering Index, Book Review

Particular attention was given to the location of any research which might have gone on in the academic field. All available copies of the Annual Doctorial Dissertation Report of the Library of Congress were carefully examined. The annual reports of studies in process in American Collegiate Schools of Business were consulted. Too, both master and doctorial dissertations in business, social science administration, sociology, and education of the University of Chicago were examined.

National Correspondence

The scarcity of printed material on the subject raised the question as to whether the scarcity was due to (1) lack of problems in the field of work, or (2) rather a failure to develop material in a much needed field. Since the limited literature did not aid in answering either of the questions, it was necessary to turn to others who were in touch with agency finance problems.

An effort was made to determine the opinion of National Foundations, National Associations of Social Agencies of varying types, and of Community Chests throughout the United States in regard to the adequacy of the present accounting and financial records of social agencies, the divisions of accounting and budgetary work in need of improvement in this field, and a list of any contributions which have been made in any phase of social agency business administration.

This information was sought through the means of multi-graphed, type addressed letters with a multigraphed questionnaire attached which was mailed to the directors of the various organizations. The letter and questionnaire secured the following results:

Index, New York Times Index.

TABLE IV
QUESTIONNAIRE RESULTS

Organization	Number of Letters Sent Out	Number of Returns	Percentage of Returns
Foundations	11	10	.900
National Associations	12	5	.416
Community Chests	118	52	.440
Total	141	67	.451

Brief analyses will now be made of the returns received from the three divisions of the organizations.

First let us consider National Foundations. The eleven Foundations to which letters were mailed include the Julius Rosenwald Fund of Chicago and the ten Foundations which were listed in the National Agencies Section, pp. 670-718, of the 1930-31 Directory of Social Agencies of New York.

National Foundations

The ten replies in response to the eleven letters mailed out were from the following: Commonwealth Fund, Harmon Foundation, New York Foundation, J. C. Penney Foundation, Russell Sage Foundation, Julius Rosenwald Fund, Daniel and Florence Guggenheim Foundation, Rockefeller Foundation, the Murray and Leonie Guggin Dental Clinic, and Milbank Memorial Fund.

The Harmon and Russell Sage Foundations and the Rosenwald Fund voted their approval of the study.

Miss Beattie Brady, Director of the Harmon Foundation, suggested that they had been studying the problem in connection with their organization for some time and that they were employing a firm of certified public accountants to help evolve the

most practical method of handling the accounting of their student loan activities and their general foundation activities. A first hand inspection was invited by the Harmon Foundation of their New York office records.

Mr. J. M. Glenn, General Director of the Russell Sage Foundation, advises, "I think the best way to find out what financial methods of social agencies are, would be to examine the accounting records of agencies in Chicago."

Mr. Glenn says further, "I would be glad to be of service to you if you undertake this study, as I have especial interest in accounting."

Mr. N. W. Levin, Comptroller of Rosenwald Fund, says, "I feel that a very fruitful piece of work can be done in this field." Mr. Levin adds, "This is a field in which I am very interested personally, and one of my greatest problems as Comptroller of the fund is the lack of proper accounting set-up in agencies to which our funds are contributed."

The answers of the six other foundations may be characterized as neutral. None of them advised against the study. The letter from the J. C. Penney Foundation is typical of the answers of the group of neutrals. It reads as follows: "We regret that the experience of the staff of the Foundation does not make it possible for us to help you in your research project."

National Associations of Social Agencies of Varying Types

This group was also selected from the National Agency Section, pp. 679-718, of the 1930-31 Directory of Social Agencies of New York, on the basis of their engaging in charity or research work. Five replies were received from the twelve letters mailed out. The agencies replying are as follows: National Information Bureau, Salvation Army, Institute of Social and Religious Research

and Conference of Catholic Charities.

The Conference of Catholic Charities was favorable toward such study but suggested that it be confined to one type of social agency.

Mr. James K. McClintock, Vice-Chairman in charge of Finance of the American Red Cross offered the suggestion of inspecting the accounting and financial records in the headquarters office at Washington, D. C.

Miss May H. Harding, of the National Information Bureau, expressed her opinion as thinking that agency accounting is commensurate with business accounting but does not believe that cost accounting as applied to business can be applied to agencies.

The Salvation Army of New York wrote that the letter to them had been referred to the Chicago office. The information received from the Chicago office is presented, in subsequent chapters, as a part of the Chicago study.

The Institute of Social and Religious Research replied that the study offered possibility for a contribution.

A letter and questionnaire were mailed to 118 Community Chests and Councils of Social Agencies throughout the United States. The 118 addresses were selected from the Directory of Community Chest, and Councils of Social Agencies (revised to September 15, 1930), with a view to securing geographical distribution, agencies raising both large and small sums of money; agencies with well-known directors; and agencies located in university or college towns. The latter selection was made with the hope that directors would be discovered in university towns who were interested in research. The general basis of selection was made with the hope that a representative view of the 380 agencies throughout the United States would be secured.

Of the 66 inquiries mailed out in November and December of 1930 and the 52 of 1931, 52 returns were received. This represents 44 per cent of the number of inquiries mailed out. Although all of the states were represented in the letters mailed out, cities from 18 of the 48 states did not respond to the questionnaire. All sections of the country: New England, North Atlantic, Central Atlantic, Southwestern, North Central, West Central, and the Pacific Coast States were represented in the 30 answering states.

The list which follows is an alphabetical list of the 52 cities which responded to the letter and questionnaire.

Community Chest and Councils of Social Agencies

Beaumont Community Chest; Boston Council of Social Agencies; Buffalo Joint Charities Community Fund; Charleston, S. C., Community Chest; Charleston, W. Va., Community Chest; Chattanooga Community Council; Cincinnati Community Chest; Cleveland Welfare Federation; Columbus Community Fund of Columbus and Franklin Counties; Denver Community Fund; Fort Wayne, Indiana; Grand Forks, N. D.; Grand Rapids, Mich.; Hartford, Conn.; Huntington, W. Va.; Ithaca Community Chest; Jefferson City Community Chest; Kansas City Community Chest; Knoxville, Tenn., Community Chest; Lincoln, Neb., Community Chest; Long Beach, Calif., Community Welfare Federation; Madison, Wisconsin Community Union; Milwaukee, Wisconsin Community Fund; Minneapolis Community Fund; Minneapolis Council of Social Agencies; Nashville, Tenn., Community Chest; Norfolk Community Fund; New Orleans, La., Council of Social Agencies; Oakland, Calif., Community Chest; Omaha, Neb., Welfare Federation; Portland, Maine Community Chest; Pittsburgh, Pa., Welfare Federation; Providence, R. I., Community Fund; Pueblo, Colo., Community Chest; Reading, Pa., Welfare Federation; Richmond, Va., Community Fund; Rochester, N. Y., Council of Social Agencies; Rockford, Ill., Community Fund, Inc.; Saginaw, Mich., Welfare League; St. Paul Community Chest; Community Chest of Salt Lake City; San Francisco, California; Seattle Community Fund; Sioux Falls, S. Dakota; South Bend, Indiana Community Chest; Spokane, Wash., Community Welfare Federation; Springfield, Ill., Council of Social Agencies; Springfield, Mass., Community Chest; St. Louis, Mo., Community Fund; Syracuse, N. Y., Community Chest; Tulsa, Okla., Community Chest; Wichita, Kans., Community Chest; Worcester Welfare Federation.

Fifty-one of the fifty-two may be classed as favoring the study, while the fifty-second was neutral.

Forty of the fifty-two replies answered question one:

"Of the social agencies having financial relations with the organization which I represent approximately ___% maintain accounting and financial records entirely adequate for the need of our organization." The answers to this question ranged from 0 to 100 per cent.

The answers to question two are indicated following each of the sub-divisions of the questions. The question reads: "In my judgment the following divisions of accounting work among social agencies (as checked) are in need of study and improvement."

- (a) Development and/or adaptation of financial accounting principles to the needs of social agencies.

23 out of the 52 checked this question	% of cks. .442
--	-------------------

- (b) Application of cost accounting methods to social agencies.

31 out of 52 checked this question	.596
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- (c) Formulation and extension of budgetary principles and procedures for use of social agencies.

29 out of 52 checked this question	.557
------------------------------------	------

- (d) Design of accounting systems (with manuals) for agencies engaged in the various fields of social work.

34 out of 52 checked this question	.654
------------------------------------	------

- (e) Preparation of a manual of procedure for uniform auditing of social agencies.

28 out of 52 checked this question	.538
------------------------------------	------

- (f) Other phases of accounting work which should be investigated and improved are:

21 out of 52 made comments under the question.	.404
--	------

Some of the special comments were as follows:

Norfolk Community Fund suggests the need for uniformity in system so that comparison may be made.

Providence wishes a study of capital accounts and investments funds.

Omaha is interested in suggestions for audit of campaign funds with sufficient speed during the campaign to make a daily report.

Spokane is interested in a uniform auditing and local cost units.

Chattanooga is wishing for a system which is comprehensive and simple.

Rochester suggests that agencies and workers need to be educated in budgeting and records.

South Bend, Indiana, is interested in seeing a uniform system for central agencies.

Reports from Wieboldt Foundation

Mr. Ferris F. Laune, Secretary and Director of Wieboldt Foundation, a great factor in "dispensing charity" to Chicago since 1921, was gracious in permitting the writer to examine the 1930 audit reports of the agencies which had supplied the Foundation with such report. Many of the reports in the hands of the Foundation were duplicate copies of those which the writer had examined in connection with personal interviews of Chicago agency directors. However, there were some fourteen reports of key agencies of the city which proved to be both interesting and of an informing nature. Since the reports in the hands of the Foundation were, in a limited sense, of a confidential nature, it was not thought proper to summarize the reports as a part of this study. However, illustration will be drawn from certain parts

of the reports.

Interviews with Chicago Agencies

The more substantial part of this study centers around interviews with some 46 of Chicago's diversified agencies. Since the Chicago agencies are not members or participants in a Community Chest plan of financing their work, it was necessary to go to the individual agencies to learn of the procedure of raising, spending and accounting for their funds.

The agencies invited to participate in the study were made up from the 1931 Chicago Association of Commerce Directory. This Annual Directory is a booklet of some 98 pages which contains the name, address, brief statement as to the object, amount of annual expenditures, a list of officers, and the name of the director or superintendent of each agency on the Association's approved list.

Agencies follow a numerical listing under the following classifications:

1. Home for Children and Home Finding Agencies
2. Homes for Old People
3. Medical Charities--Hospitals, Dispensaries, Sanitariums, Maternity Homes, Nursing Societies, Training Schools for Nurses
4. Miscellaneous Organizations
5. Day Nurseries
6. Reform and Civic Betterment Organizations
7. Relief and Benevolent Organizations
8. Social Settlements, Boys' Clubs, Recreation Centers

This classified list of local philanthropic and charitable organizations, so states the Association of Commerce, is "believed by the Association of Commerce subscription investigation

committee to be worthy of the support of those who desire to further their aims."

Before an agency may receive the certificate of approval of the Association of Commerce it is investigated under the directions of the Secretary of Subscription Investigating Committee (who at this time is Mr. Henry Stewart).

Standards for Agencies

Since 1911 the Chicago Association of Commerce has carried on the work of approving social agencies in and near Chicago. When the work was first started many agencies were found to be in a very ragged financial condition. Financial records, if kept at all, were loosely maintained. In several cases it was discovered that agency cash and records were not clearly segregated from that of the custodian (treasurer or other officer).

By 1913 the Association of Commerce had classified the agencies into an A-B classification.

Several years later the "Application for Endorsement" form was prepared by a committee of seven expert accountants of Chicago. The present form, as presented, is a refinement of the first, for it has undergone several revisions.

Emphasis, as indicated by the endorsement form and further gained from the interview with the Association endorsement officer, is given (1) to responsible and satisfactory management. It is especially important that prominent local citizens be members of the board of directors. (2) The organization must do a work which is commensurate with the amount of money expended. (3) The organization must agree to co-operate with other charitable institutions in promoting efficiency and economy of administration in the charities of the city as a whole in preventing duplication of effort. (4) Newly formed organizations must be

careful not to attempt a work where the work is already carried out. (5) Methods of raising funds shall be approved by the Association of Commerce; however, no approval is given where organizations employ paid solicitors. (6) The books and accounts must be audited annually by a registered accountant of Illinois.

A copy of the auditor's annual report of the agency along with the Public Accountants Form gives major emphasis on the treatment of Income and Expense.

Thus it may be seen that the agencies interviewed in this study must as a minimum reach the standards which are required by the Association of Commerce subscription committee.

Agencies Interviewed

The agencies studied were selected with a view to securing a typical sample of the Association of Commerce agencies as to size, location, nature of work performed, endowed and unendowed, those well supplied with funds and those with limited means. A distribution was also sought as between various sectarian and non-sectarian agencies. It is to some extent regrettable that the Catholic denomination agencies did not indicate a willingness to participate in the study. Neither did any of the colored agencies solicited give their approval to become a part of the study.

Method Used in Securing Information

A letter written over the signature of the Dean of the School of Business of the University of Chicago was mailed to a list of agencies which were selected with reference to the distribution indicated above. The mailing of the 101 letters to Chicago agencies resulted in receiving the consent of 56 agencies to participate in the study.

Several agencies in replying to the letter consented to

become a part of the study but never would consent to a definite appointment for an interview. However, a sufficiently large group of agencies were generous in allotting adequate time for the interview. A check sheet had been prepared in advance of the interview, but it was thought that the interview could be less formally and more freely conducted by not presenting a formal list of questions to be answered or checked. It is the writer's opinion that such proved to be true. For the most part the person interviewed seemed free in providing information, after a short introduction as to what was particularly desired. The interview period varied in time from one and one-half to six hours. In most cases it consumed about three and one-half hours.

The general interview usually proceeded from questions concerning (1) organization, directors, policy formation, (2) personnel, (3) accounting system, (4) reports, (5) audit, (6) budgeting, (7) examination of reports and of the books and records of accounts, (8) an inspection trip through the institution, and (9) a write-up of the report after returning home. This exact order was not followed chronologically, for the interviewer usually indicated to the person interviewed the type of information wanted and then suggested that any convenient order of providing the information would be satisfactory.

Agencies Participating in Study

Though this study is not of a statistical nature it was desired to secure a representative group of the agencies from which the study was made.

Seven of the eight groups listed in the Association directory were studied. Group number five--named above--Day Nurseries, was not included as a separate group for two reasons:

1. The agencies spent relatively small sums of money,

and, therefore, did not offer opportunity for many financial problems.

2. The problem of day nurseries was observed in four different agencies listed under different divisions of the seven other classifications.

The number of agencies studied averaged 21.5 of all of the Chicago agencies of the classes indicated. This 21.5% average of the total varied from 11.6 to 26.1% for the seven groups.

The annual expenditures of the agencies studied were 54.6% of the annual expenditures of all agencies. The percentage for each of the seven groups varied from 20.8 to 88.8%.

CHAPTER III

DEVELOPMENT OF BUDGETING IN SOCIAL AGENCIES

Early Development of the Term

Budgeting is not a twentieth century invention. The term "budget" was used in France between 1802 and 1803 by the French Government with reference to estimates of receipts and expenditures. It also had early usage in England as a term for describing the great leather bag which for a long time contained the documents presented to parliament to explain the wants and resources of the country. Other European countries subsequently adopted the budget as a control device.

The idea of budgeting was first adopted in the United States as a governmental device for planning. The National Budget Act was not finally passed until 1921, though President Taft as early as 1912 had appointed a commission to inquire into the general feasibility of the plan.¹

California and Wisconsin made some provisions for budget financing in 1911. Since that time every state in the United States has enacted some form of budgetary legislation.²

There is a difference of opinion as to just when the budget made its appearance in American business. However, it seems to be generally agreed that it had made little progress prior to 1920. Since the 1920 disastrous deflation period private corporations have given widespread consideration to the use of the

¹W. A. Paton, Accountants' Handbook (New York, 1932), p. 1177.

²A. E. Buck, Public Budgeting (New York, 1929), pp. 14-15.

budget as a device for planning and control.

Social Service Agencies

The War Chest organization of the World War furnished the immediate impetus for widespread systematic financing and budgeting in social agencies. Since that time budgetary control in private social agencies has been practiced in varying degrees as it has been influenced by the Community Chest, Community Trust, and other organizations and individuals.

The Community Trust had its origin in Cleveland and since that time has been established in more than fifty cities.¹

History of Community Chest Budgeting

The Community Chest also had its beginning in the city of Cleveland in 1919. Since that time the Chest idea has gained favor until there are more than 400 Chests in existence. The "National Association of Community Chests and Councils" of New York City is a voluntary association with local chests joining or not as they wish. The National Office does not have a compulsory budget plan. According to a letter from Mr. Ralph Blanchard of the National Office, "We do suggest what we believe to be sound budget practice for local Chests and we do suggest that they send us certain information each year."

The National Office has further shown its desire to promote budgetary control in Community Chests by publishing a forty-four page booklet on "Budgets in a Community Chest."

Budgeting in the Salvation Army

The Salvation Army had its beginning in 1865 in London. Today its work extends to 85 countries throughout the world.

¹A. W. Procter and A. A. Schuck, The Financing of Social Work (Chicago: A. W. Shaw, 1926), pp. 88-89.

Brigadier Robert Young, Financial Secretary of the Southern Territory, tells part of the story of budgeting in the Salvation Army as follows:

In the very early days of the Salvation Army activities in this country, the National Office had much to do with the setting up of accounting systems for the entire country, and under the guidance of the National office these records have grown and developed to the extent to which they are in use at the present time. The area of this country together with its many local problems and requirements (particularly for Community Chests) had made it necessary to allow each Territorial Headquarters more or less of a privilege to advise the representatives at the Divisional Headquarters, who in turn advise the Corps or field officer; but in the main the officer located in a field appointment in Waco, Texas, is keeping his accounts and financial records in exactly the same manner as the officer who may be stationed in Seattle, Washington, or Portland, Maine. Perhaps the only difference would be in the form of cash book which he would be using. The Southern Territory uses a columnar cash book while it may be possible that the officers in the other towns mentioned may be using a different form of cash book, but it will suit the purposes of the Territory at large in which he is stationed.

The preparation of budgets is also largely governed by the requirements of the local Community Chest. The information requested by one Chest and the designation of accounts differs to a tremendous degree from that requested by some other Community Chest, and the problems of preparing budgets is left to the responsibility of the Financial Secretary of the Division in which the Corps is located.

The budgets for the Social institutions are prepared under the guidance of the Departmental heads located at each Territorial center. They are then submitted to the General Finance Board of that Territory, approved or changed accordingly, and a monthly check is maintained on the items of income and expense.

The budgets of the Divisional Headquarters are prepared by the Financial Secretary of that Division, submitted to the Divisional finance board; they in turn submit it to the General Finance Board of the Territorial Headquarters, and budget comparisons are then followed through and checked by the auditor of his semi-annual visit to the Divisional center.

The Territorial Headquarters in turn compiles its budget of income and expense for its general operations, the Social departments, and Property funds. These are submitted for approval to the National Headquarters and also to the International Headquarters. Comparisons on a monthly basis are maintained in connection with these budgets also. You will understand that during these periods of depression a very close check is necessary intelligently to operate an organization the size of the Salvation Army with its many problems

being presented today.¹

The American Red Cross Budget

The American Red Cross is an outgrowth of a humanitarian agreement, The Treaty of Geneva, among the governments of the nations of the world which met at Geneva, Switzerland, in 1864. The American organization functions as a corporation under a special act of the United States Congress.

Mr. Howard J. Simons, Director of Accounting of the National Headquarters office of Washington, D. C., had the following to say concerning budgeting:

The National Organization operates under a budgetary and appropriations system. Each manager, director or head of the various Services, prior to the beginning of the next fiscal year, prepares the budget for his Service or Department for the coming year; budgets are also submitted in detail; that is, by Services or Departments by the Managers of the Midwestern and Pacific Branch offices. When the budgets are received at National Headquarters, the same are given consideration by the Budget Committee and the amounts approved by the Budget Committee are set-up as appropriations for the various Services or Departments. Obviously, all disbursements when made are charged to the proper appropriation or sub-division thereof. Monthly statements are furnished to the Service Heads or Directors showing the current condition of their appropriations.²

Where Chapters are members of Community Chest organizations they must also comply with the local regulations as to budget procedure.

Budgeting in the Young Women's Christian Association

The local Y. W. C. A.'s are autonomous organizations and no system of accounting or budgeting is prescribed. The National Board of the Young Women's Christian Associations of the United States of America, of New York City, on the other hand, acts in

¹Letter from Brigadier Robert Young, Financial Secretary, Atlanta Office, April 21, 1932.

²Letter from Mr. Howard J. Simons, Director of Accounting, Washington, D. C., April 11, 1932.

an advisory capacity and sends out suggested forms for budgeting to local associations.¹ These suggested budget forms show that considerable constructive thought has been given to the all important subject. In fact, the writer did not find a National Social Agency Organization which had apparently given more thought to the subject.

Budgeting in the Young Men's Christian Association

Local Y. M. C. A.'s, like local Y. W. C. A.'s, are practically free and independent of the National office of the National Council of the Young Men's Christian Association of the United States of America. The National office recommends a form of budgetary procedure and requests certain summarized information from the operating expenses and income.² The opinion gained from Y. M. C. A. officials is that little progress has been made in uniformity of budget preparation. No doubt local Community Chests are exercising greater influence on Y. M. C. A. budgets than is the National "Y" Office.

Boy Scouts of America

The National Organization for boys, Boy Scouts of America, has made considerable progress towards a plan of uniform financing of Scouting. Member organizations are given an opportunity to use a uniform financial accounting system; are required to prepare and submit an annual budget report; and are required to have an annual audit by an acceptable auditing firm or committee.³

¹Letter from Miss Mary C. Ferris, Secretary City Department, New York City, May 25, 1931.

²Letter from National Secretary of Administration and Survey Service of New York City, April 26, 1932.

³Letter from Director, Arthur Schuck (author of Financing of Social Work with A. W. Procter), April 11, 1932.

Boys' Club Federation of America

A commission from the Boys' Club Federation of America some three years ago recommended a uniform plan of reporting and budgeting for its member agencies. This form has since been adopted by about ten to twenty per cent of the member clubs.¹

The brief budget résumés from the National Social Agencies: Community Chest, Salvation Army, Red Cross, Y. W. C. A., Y. M. C. A., Boy Scouts, and Boys' Club Federation of America have been given as specific examples of budget progress or lack of progress in social agency administration.

Budgets of Chicago Agencies

And now let us narrow the scope to the City of Chicago. The budgeting of Chicago Social Agencies is in such a state that it is difficult to describe. An attempt was first made to classify the situation of the individual agency as to whether it prepared a formal budget, semi-formal, or no budget. It was finally decided to use only two classifications, formal budget and no budget, because the semi-formal budget term was so difficult to define and apply with any degree of uniformity.

The agencies were scored as no-budget or as having budgeted for a certain number of years according to the answer given by the person interviewed. The table below summarizes the answers.

¹Letter from National Office, April 28, 1932.

TABLE V

NUMBER OF YEARS BUDGET PLAN
IN USE BY CHICAGO AGENCIES

Number of Years	Number of Agencies
Do not budget	14
1 year.	5
2 years	3
3 years	2
4 years	2
5 years	4
6 years	3
7 years	1
10 years.	2
15 years.	2
17 years.	1
18 years.	1
19 years.	1
20 years.	1
25 years.	1
Total	43

This chart indicates that only nine agencies have budgeted as long as ten years, while ten others have budgeted less than three years. Of the fourteen not budgeting, five were hospitals. Only two hospitals interviewed, the Presbyterian and Michael Reese, were operating under a budget.

All agencies which did not budget were interrogated as to why they did not budget. Several of the answers are quoted below.

One home for the aged said, "We do not attempt to budget because our income is furnished by churches. We operate as

economically as possible and leave it up to our board of directors and the churches to make up any deficit."

A second agency reported, "No budget is prepared. We raise all the money we can and cut expenses to stay somewhere close to income."

The Superintendent of the Augustana Hospital said, "We have never prepared a formal budget; however, we realize it is a good plan and intend to give it a trial within the near future."

The Superintendent of Good Will Industries said, "We do not prepare a regular budget, but we prepare a chart which shows monthly sales and comparative trends for the past three years."

One agency executive complained, "Yes, I know that a budget is an excellent thing. We do not budget because the chairman of our board dominates the financing and will not permit it."

This is the answer given by an agency executive whose organization spent in excess of a hundred thousand dollars per year. "Tried budgeting but we found it so difficult to estimate income that we gave it up. We usually manage to keep within income by giving non-pay vacations."

None of these answers are reasons for not budgeting. They are nearer apologies or excuses.

CHAPTER VIII

A PROPOSED MANUAL OF BUDGETARY PROCEDURE

The presentation of "Budgetary Control and Accounting for Social Agencies" thus far has discussed the history of budget development, requirements for effective budgetary procedure, forecasting budget estimates, the benefits and limitations of the budget, and case studies of budget preparation of three agencies. This chapter will be devoted to a proposed manual of budgetary procedure.

The proposed manual will be for a Boys' Orphanage, The Wood Hill Orphanage, under the executive direction of a Superintendent who is elected by a board of fifteen directors who reside in Chicago. Forty miles from the city of Chicago lies the plant of the orphanage in the center of a four hundred acre farm. Here, dormitory space is provided for three hundred boys and employees.

The institution's operating properties and endowment aggregating two million dollars have been provided by private subscription and donations. The yearly operating funds are secured from endowment income, private subscriptions, boarding fees, and from the operation of the farm and dairy. From the farm and dairy come vegetable and milk products for the use of the institution and for sale to the public. The yearly income for the past five years has averaged about one hundred thousand dollars.

The orphanage also conducts its own school for boys from seven to eighteen years of age. Their course of training consists of general public school work and manual and farm training.

The manual and farm training courses are closely co-ordinated with the practical operation of the farm, heating plant, and maintenance of building and grounds. The school activities and recreation program are under the general direction of the school principal.

In the "loop section" of the city of Chicago a financial secretary maintains his office. The purchasing agent also spends most of his time in the Chicago office. He purchases foods, clothing, bed linen, and supplies for all departments.

The farm manager acts as assistant superintendent during the absence of the superintendent. His regular work has to do with the direction of the activities of the farm and dairy.

A matron supervises the work of ten house mothers, the making of clothes, mending, laundering, cleaning and shoe repairing.

The dietitian is in charge of all dining-hall and kitchen activities.

The hospital and maintenance problems are under the direction of a chief engineer who has charge of the carpenters, painters, plumbers, mechanics, electricians, and heating plant employees.

The accountant is in charge of accounting, budgeting and office management. Employee personnel problems are attended to by the superintendent and head of departments. Budget estimates are prepared for the calendar year and are revised as conditions warrant.

With this brief summary of facts concerning the Wood Hill Orphanage, the manual follows.

MANUAL OF BUDGETARY PROCEDURE
FOR THE WOOD HILL ORPHANAGE

Organization

Committee

The budget committee composed of Superintendent, Accountant, Financial Secretary, Principal of Education, and Purchasing Agent will have general supervision of the budget program. All estimates must be submitted to said committee in such form and at such time as they shall designate. The committee will have power to accept, revise, approve, or reject any estimates. In addition, they shall have power to summon any member of the institution's personnel for conference and explanation of items. In case of the committee's failure to agree on any item, the agency superintendent shall have the power to make the final decision.

Superintendent

The Superintendent is chairman and director of budgetary control and shall have power to appoint such department heads as he thinks necessary to exercise control of budgetary procedure.

Particularly shall the superintendent or his duly appointed representative (in this case the accountant) be responsible for:

1. Designing adequate budget forms
2. Furnishing necessary figures of past operations to serve as a basis for estimates
3. Seeing that estimates are submitted according to time designated
4. Preparing a master budget and income and expense statements of estimates submitted to furnish each member of the committee with a copy
5. He shall also prepare a report of monthly comparison

between actual and budget estimates of each department.

Approval

After the estimates have been approved by the budget committee, they must then be submitted to the board of directors, or its duly authorized committee for final approval. The estimates should be submitted to the board during the December meeting.

Revision

Necessary changes from approved budget estimates may be made by the budget committee up to ten per cent of the total budget amount approved. Amounts in excess of ten per cent of approved budget amount must be approved by the board or its committee.

Enforcement of Estimates

The superintendent will have the accountant prepare a monthly statement for each department which will show the approved budget amount, the amount for the month, amount to date, and the remaining budget appropriation for the period. The superintendent or accountant will have a conference with the department head to discuss differences in the budget estimate and the actual expenditure. Necessary adjustments will then be made to conform to budget estimates.

Form of Estimate

The estimates will be made in terms of the general ledger accounts and supported by such additional data as the budget committee shall approve. The general budget form shall show:

Wood Hill Orphanage
Chicago, Illinois

Budget Estimate for Year 193__

Department _ _ _ _ _

Signature of Department Head _ _ _ _ _

Acct.	Acct.	Amt.	E s t i m a t e s				
No.	Title	Allowed	10 Mo.	10 Mo.	Esti-	Increase	
			Actual	Actual	mate	or De-	
			1931	2 Mo. Esti-	1932	crease*	
				mate 1931			

Each department in addition to submitting the above form must also submit a detailed schedule of salaries and wages, repairs, replacements and materials, supplies and foods.

The schedule of salaries and wages should be prepared according to the following form:

Wood Hill Orphanage
Chicago, Illinois

Budget Estimate for Year 193__

Department _ _ _ _ _

Signature of Department Head _ _ _ _ _

Schedule of Salaries and Wages

Name of	Nature of	Basis of	Annual	Last	Inc.	Amt.
Employee	Position	Employment	Salary	Year's	or	Allow.
				Salary	Dec.	

"Basis of Employment" refers to salary, meals (1 meal, 2 meals, or 3 meals), room.

Schedules of repairs and replacements should show cost as to labor and materials for each item of repair. It will be necessary for each department to consult the engineer so that cost may be computed. The items should be scheduled according to this form:

Wood Hill Orphanage
Chicago, Illinois

Budget Estimate for Year 193__

Department _ _ _ _ _

Signature of Department Head _ _ _ _ _

Schedule of Repairs and Replacements

Repair Job Items	Labor Cost	Material Cost	Total	Reworks	Amt. Allowed
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The schedule of supplies, materials, and food should be prepared in detail and with exceeding care. Where prices are not shown the purchasing agent should be consulted. The details of this schedule should be presented according to the following form:

Wood Hill Orphanage
Chicago, Illinois

Budget Estimate for Year 193__

Department _ _ _ _ _

Signature of Department Head _ _ _ _ _

Schedule of Supplies, Materials and Foods

Name of Item	Brand	No. of Unit	Price per Unit	Amount	Amt. Past Year	In- ventory	To- tal	Increase or Decrease
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Preparation of Estimates

On or before the tenth of each November the accountant shall fill in the proper budget form for each department, from the general ledger accounts, showing the actual expenditure by account titles for the first 10 months of the year. Immediately on receipt of the budget forms from the accountant each department head shall set to work preparing the estimates for his departments. These estimates should be completed and returned to the accountant by the twenty-fifth of November. Each of the following shall prepare estimates: Financial Secretary,

Accountant, Farm Manager, Purchasing Agent, Head Matron, Dietitian, Engineer, and Principal of Education.

Income Budget

The Financial Secretary will prepare each budget period an estimate of each class of income for the period. In estimating the income consideration should be given to:

1. Income of past period
2. Plans and policies of institutions
3. Income estimates of departments which produce income
4. General business conditions as they affect all sources of income.

The general ledger accounts are grouped and designated as follows: Income 100 to 199, Expense 200 to 299, Assets 300 to 399, Liabilities 400 to 449, Proprietorships 450 to 499. Income and expense accounts are given first place in the number arrangement of the institution's accounts because they are of the first rank in providing managerial information.

The Financial Secretary will prepare budget estimates according to the following classification of accounts:

100 - Income

105 - Unrestricted Securities Income

All income received from securities which have not been restricted by the donor or trustees should be included in this account.

110 - The How Dormitory Fund Income

This account is to be credited with income which has been collected from securities designated to the How Dormitory Fund.

115 - Bond Investment Income

This account should be credited with all dividends,

interest, or trading profits accruing to the Bond Investments.

120 - Bank Balance Income

All interest which has been credited by the bank to the operating cash balance account should be included in this account.

125 - Sale of Clothing

Is to be credited with the sale of clothing to parents, children, or employees. In case of return of any previously sold merchandise, the accounts should be debited.

130 - Sale of Farm Products

This account should be credited with the sale of any farm products at the time of delivery, whether for cash or on account.

135 - Farm Products Used

Should be credited at a fair market price with any farm products used by any other department of the institution and the department receiving the benefit should be charged.

140 - Sale of Dairy Products

All sales of milk, butter, cream, or any farm or dairy product to any person or concern other than the institution itself should be credited to this account.

145 - Dairy Products Used

This account should be credited at a fair market price with any and all dairy products used by any department of the institution.

151 - Private Board and Care

All income received or accrued in connection with the care of children placed by parents or guardians (other

than the county or state) should be credited to this account.

152 - Cook County Board and Care

All income earned or received in connection with children placed in the home by Cook County should be credited to this account.

153 - Illinois State Income

Any income earned or received from the State of Illinois in payment for care of children should be credited to this account.

156 - Contributions

Contributions from individuals, firms, corporations or associations to be used for operating expenses should be credited here.

158 - Miscellaneous Income

Income received from sources other than that included in specific income accounts should be included here.

160 - All gifts which are to serve as increases to endowment should be credited to this account until the allocation of the amount has been properly determined.

The Financial Secretary will also prepare the expense budget for the expenses incurred under his direction. He shall group the expenses according to the following classification:

210 - Financial Secretary Office Salaries

211 - Office Supplies

This account should be charged with cost of blanks, receipt books, carbon paper, typewriter ribbons, ink, paper clips and other routine office supplies.

213 - Postage and Stationery

Charge this account with stamps, envelopes and

writing paper.

214 - Telephone and Telegraph

Is to be charged with all expenses incurred with either of these communication services.

215 - Advertising

Materials purchased for advertising purposes, advertisements inserted in papers or other publications, radio time, etc.

216 - Rent

The regular monthly rent as it is paid.

217 - Maintenance

Charge here any repair, expense on typewriters, adding machines, mimeographs, fixtures, furniture or equipment.

218 - Miscellaneous

Charge here small or unusual expenses which do not properly classify elsewhere.

219 - Traveling Expense

Charge to this account automobile expense, railway tickets, taxi fees, hotel bills, and any other legitimate traveling expense.

Administrative Expense Budget

The Accountant will prepare this budget according to the following classification of expenditures:

200 - Superintendent's Salary

Charge with Superintendent's personal salary.

201 - Administrative Office Salaries

Charge this account with salaries of accountants, secretaries, stenographers, switch board operator, and other employees of superintendent's office.

202 - Office Supplies

Charge this account with blank forms, accounting books, carbon paper, typewriter ribbons, ink, paper clips, etc.

203 - Postage and Stationery

Charge this account with stamps, envelopes, and writing paper.

204 - Telephone and Telegraph

Charge with all telephone and telegraph messages and expenses of switch board except salaries.

205 - Insurance

Charge with all insurance premiums for theft, boiler, liability, automobile and all other forms of insurance.

206 - Interest Expense

Charge with all interest or discounts on both short and long time obligations.

207 - Maintenance

Charge with all expenses, repairs, and maintenance in superintendent's and accountant's office on adding machine, typewriters, chairs, desk, safe, and all other furniture or equipment.

208 - Automobile

Charge with all gas, oil, tire, and repair expense of the superintendent's official car.

209 - Miscellaneous

Charge with all auditing, legal fees, membership dues, and other items which do not classify under other headings.

Purchasing Agent

The Purchasing Agent will be responsible for the preparation of the expense budget of his office. He should group the expenses of his office according to the following classification:

220 - Purchasing Agent's Salaries

221 - Office Salaries

Charge with all salaries of secretaries, stenographers, or office assistants.

222 - Office Supplies

Charge with cost of blank forms, carbon paper, typewriter ribbons, ink, paper clips and other routine office supplies.

223 - Postage and Stationery

Charge this account with stamps, envelopes, and writing paper.

224 - Telephone and Telegraph

Charge with all expenses of telephone and telegraph service.

226 - Rent

Charge this account with rent of office.

227 - Maintenance

Charge this account with repairs or replacement expense on typewriters, adding machines, mimeograph fixtures, furniture or equipment.

228 - Traveling Expense

Charge this account with any local or out of town traveling expense.

229 - Miscellaneous

Charge here small expenses which do not properly classify elsewhere.

Housekeeping Budget

The Head Matron will be responsible for preparing and submitting the expenses under her direction. She should group the expenses according to the following classification of

accounts:

230 - Matron Salaries

Charge this account with the salary of all matrons in charge of dormitory life.

231 - Helpers' Salaries

Charge this account with the salaries of proctors and assistants to matrons.

232 - Office Supplies

Charge this account with cost of report forms, writing paper, stamps, and other office supplies.

233 - Linens and Bedding

Charge this account with the cost of sheets, pillow cases, towels, quilts, pillows, mattresses, and blankets.

233b- Clothing

Charge to this account all clothing purchases by the institution, or clothing or shoes donated for children's use.

234 - Materials

Charge this account with the cost of goods, buttons, thread, and other materials purchased for the purpose of making clothes.

235 - Clothing Wages

Charge this account with all labor used in making, altering, and repairing of clothing.

236 - Shoe Repairing

Charge this account with labor and materials and equipment cost used in repairing shoes.

237 - Cleaning and Laundry of Clothes

Charge this account with all cleaning and laundry cost of children's clothes.

237b- Cleaning Household Laundry

Charge cost of cleaning towels, scarfs, and bed linens, quilts, and blankets.

238 - Maintenance

Charge this account with all repair and replacement cost incurred in connection with beds, dressers, cabinets, machines, and other equipment.

239 - Miscellaneous

Charge to this account any expense item which does not properly classify elsewhere.

Dining Hall and Kitchen Budget

The budget expenses for the dining hall and kitchen will be prepared and submitted by the Dietitian, who should follow the following outline of accounts:

240 - Salaries of dietitian and dining room services

240b- Salaries of chef, cooks, and cooks' helpers

241 - Dining Hall Supplies

Charge this account with table cloths, napkins, glasses, chinaware, and silver.

241b- Kitchen Supplies

Charge this account with pots, pans, stove vessels, soaps, cleaning powder and fluids.

242 - Food

242b- Groceries

Charge this account with staple groceries, such as sugar, coffee, tea, bread, flour, spices, cereals, and most canned goods.

242c- Meats, Fish, Eggs

Charge to this account all fresh and cured meats, fish, oysters, poultry, and eggs either produced by the

institution or purchased outside.

242d- Dairy Products

Charge to this account all sweet milk, butter milk, cream, butter, cheese, evaporated milk, and ice cream either produced by the institution or purchased outside.

242e- Vegetables and Fruits

Charge this account with all fresh and dried fruits and vegetables produced by the institution and purchased outside. Canned fruits and vegetables produced by the institution are charged as groceries.

243 - Electricity, Oil, and Ice

Charge this account with electricity according to meter readings and with ice according to tons consumed. (Both of these commodities are supplied by the institution's engineering department.) Oil is charged according to the amount purchased.

244 - Sundry Dining Hall Expenses

Charge to this account candles, special table decorations, and other miscellaneous dining room expense.

245 - Maintenance

Charge to this account all repairs and replacements of dining room and kitchen furniture and equipment.

Hospital and Medical Care

The Head Nurse of the institution's hospital will be responsible for preparing and submitting the expense budget for all expenses under her direction. She should group her estimates according to the following classification of accounts:

250 - Nurses' Salaries

Charge this account with salaries paid to all nurses.

261 - Assistants' Salaries

Charge this account with salaries paid hospital helpers and assistants.

262 - Doctors' Salaries

Charge this account with salaries of hospital doctors and dentists, both regular and special.

263 - Outside Medical Expense

Charge this account with hospital expenses, doctors' fees, dentists' fees, and transportation charges of children cared for outside of the institution's hospital.

264 - Medical Supplies

Charge this account with medicine, prescriptions, bandages, gauze, chemicals, small equipment, etc.

265 - Office Supplies and Expense

Charge this account with blank forms, stationery, office supplies, and postage.

266 - Linens and Bed Supplies

Charge this account with all bed linens, towels, quilts, blankets, mattresses, and pillow cases.

267 - Maintenance

Charge this account with all repairs and replacements in connection with furniture, equipment, and bed supplies.

Farm and Dairy

The Manager of the farm and dairy will be responsible for preparing and submitting the expense budget for both the farm and the dairy.

Income shall be estimated for the farm in terms of price and quantity of each product grown. Likewise, the income from the dairy shall be estimated in terms of quantity and price of each of the following dairy products sold: sweet milk, cream,

butter, buttermilk. The expenses shall be classified in terms of the general ledger accounts.

270 - Manager's Salary

271F- Labor Expense

Charge this account with all payments for all farm labor both regular and part time.

271D- Labor Expense

Charge this account with all payments for dairy labor both regular and part time. Local labor is used in connection with both farm and dairy. It will be necessary to allocate the expense on basis of time rendered to the department.

272F- Seed

Charge this account with the purchase price of all seed, and small plants.

272D- Feed

Charge this account with the purchase price of all feed purchased for the farm and outside of the institution.

273F- Fertilizer

Charge this account with all fertilizer furnished from the dairy or purchased outside of the institution.

274F- Farm Marketing

Charge this account with all labor, transportation, and miscellaneous expense of marketing farm products.

274D- Dairy Marketing

Charge this account with all labor, transportation, and miscellaneous expense of marketing dairy products.

275F- Farm Tractor and Truck

Charge this account with all gas, oil, tires, and repair of tractors and truck.

275D- Dairy Truck

Charge this account with all gas, oil, tires, and repair of the dairy truck.

276 - Veterinary Service

Charge this account with the cost of all veterinary fees, medicine, and medical supplies.

277 - Electricity

Charge this account with the cost of all electricity according to the meter readings.

278D- Repairs and Replacements

Charge this account with all repairs and replacements of dairy equipments and barns.

278F- Repairs and Replacements

Charge this account with all repairs and replacements of farm equipment and machinery.

279F- Miscellaneous

Charge items not chargeable to other farm accounts.

279D- Miscellaneous

Charge items not chargeable to other dairy accounts.

Education and Recreation

The Principal of Education will be responsible for preparing and submitting the expense budget for education and recreation. These estimates should be grouped according to the general ledger accounts.

280 - Principal's Salary

Charge with salary of Principal.

281 - Recreation Salary

Charge with coaches' and assistants' salaries.

282 - Teachers' Salaries

Charge this account with teachers', librarians' and

secretaries' salaries.

282b. Office Expenses

Charge this account with paper, stationery, stamps, paper clips, ink, and all other office supplies.

283 - School Room Supplies

Charge this account with text books, tablets, ink, pencils, crayon, erasers, maps, laboratory specimens, chemicals, and other school room necessities.

284 - Electricity

Charge this account with electricity according to meter readings.

285 - Athletic Equipment and Supplies

Charge this account with athletic clothing, shoes, balls, bats, swimming, play ground equipment, etc.

286 - Entertainment Expense

Charge with all expense of securing speakers, motion pictures, and stage entertainment.

287 - Maintenance

Charge this account with all repairs and replacements of school room, library, athletic expenses.

288 - Miscellaneous

Charge this account with all recreation and entertainment expenses which do not properly classify elsewhere.

Engineering and Maintenance Department

The Chief Engineer will be responsible for preparing and submitting estimates for all expenses incurred under his direction. These estimates should be prepared in accordance with the general ledger accounts indicated below. In addition to submitting the estimates of expenses according to the accounting

classification, the Chief Engineer will also present schedules in terms of wages and supply expense which show the departments and building, fixtures and equipment which are repaired, replaced or serviced by the maintenance departments. The engineer should deduct from his total of expenses the amounts which are duplicated under the maintenance items of the departments which have submitted expense budgets.

290 - Chief Engineer's Office

Charge this account with the Chief Engineer's salary, clerical help, office forms, supplies, and all other expenses of his office.

291B- Boiler Room Wages

Charge this account with the wages paid to every employee of the boiler room of the power house. (In each case where employees divide time between different service, e. g., boiler room, carpenters or janitors, the wages should be allocated to the accounts on basis of time to wage.)

291C- Carpenter Wages

Charge this account with the wages paid carpenters and helpers.

291J- Janitor Wages

Charge this account with wages paid to janitors for service.

291M- Mechanic Wages

Charge this account with wages paid to mechanics and mechanics' assistants.

291 - Painter Wages

Charge this account with wages paid to painters and painters' assistants.

291L- Plumber Wages

Charge this account with wages paid to plumbers and plumbers' assistants.

292 - Fuel

Charge this account with all coal and any other fuel supply used for heating or power purpose. Any expense incurred in connection with storage, delivery, or handling of fuel should be charged to this account.

293 - Water

Charge to this account all payments for water used in the various departments and on the ground.

294B- Boiler Room Supplies and Repairs

Charge this account with all grease, oil, rags, repair parts, tools, and service expense of outside mechanics or engineers.

294C- Carpenters' Supplies and Materials

Charge this account with all lumber, glass, nails, hinges, locks, screws, bricks, roofing, cement, lime, carpenter tools, or any other supply or material used by the carpenters.

294J- Janitors' Supplies

Charge this account with floor sweeps, floor oil, soap, cleansing powder, mops, brooms, waxers, toilet paper, light globes, rags, or any other material or supply used by the janitors.

294M- Mechanics' Supplies

Charge this account with payments for bolts, nuts, castings, belting, batteries, automobile supplies, mechanics' tools and all other supplies used by the mechanics.

294P- Painters' Supplies

Charge this account with all paint, brushes, oil, wall paper and other paint supplies or small equipment. Also, charge this account with any repainting or redecorating done by outside concerns.

294PL-Plumbing Supplies

Charge this account with all pipe, pipe fittings, brasses, lead, commodes, sinks, and other plumbing equipment.

Estimates of Fixed Assets

Estimates for land, new buildings, furniture and other fixtures and permanent equipment (not charged as current operating expenses) should not be included in the operating budget. Where needs exist for new furniture and fixtures or equipment, each department head shall indicate and discuss such needs with the superintendent prior to November fifteenth of each year.

The superintendent shall in turn prepare a report for the institution as a whole, showing each article or parcel needed and its estimated cost. He shall also indicate the source of income out of which this cost will be defrayed.

Cash Budget

The accountant, in conference with the Financial Secretary, will prepare a budget which will show expected cash income from the various possible sources for each month of the year after all estimates have been referred from heads of departments. The cash estimate should be revised after revision of estimate by budget committee and again after revision by the Board of Directors. This estimate should be based on the following:

Cash Receipts:

1. Receivables or securities on hand or available during period which will probably be converted into cash.
2. Cash income available from interest, dividends, sale of clothes, sale of dairy and farm products, board and room, and contributions as indicated by the Financial Secretary's report.
3. Cash income available for plant and permanent equipment as indicated by the Superintendent's report. (This may be included in regular cash budget or in a separate cash estimate for plant and permanent equipment.)

Cash Disbursements:

1. Payments on accounts and notes payable on hand or incurred during period.
2. Disbursements for cash purchases.
3. Disbursements for cash purchases and payables created during period will be determined in part from purchase estimates of other departments.
4. Disbursements for salaries, wages and payrolls in general.
5. Disbursements for land and plant. (Will be shown in report of regular cash disbursements, if cash income estimates show in regular report.)

Revenue and Expense Statement

After the budget committee has revised and approved the yearly estimates of income and expense items, the accountant will then prepare a summary statement of income and expense to submit to the Board of Directors. This statement should be revised to suit revision of estimates of Board of Directors.

Balance Sheet

At his option or at such time as the Superintendent or Board of Directors may request it, the accountant will prepare a Balance Sheet which shows the forecasted condition one year hence of the balance sheet items.

CHAPTER XVI

APPRAISAL AND CONCLUSIONS

Introductory

This, the final chapter of the discussion, will summarize the information which has been previously presented and will attempt to appraise budgetary control and accounting in social agencies. The early part of the appraisal will be devoted primarily to budgetary control.

The first three chapters of the discussion on budgeting emphasized: first, the importance of private social agency administration due to the premier position of privately supported agencies in influencing the social welfare order in its entirety; second, the scope and general method of the investigation; and third, the development of budgeting in social agencies.

History of Budget

In the discussion of the history of budgeting it was shown that budgeting as a planning and controlling device was accepted in the United States by the Federal Government as late as 1921. Few states and municipalities had realized its managerial use prior to the adoption by the national government. Since the first state adoption by Wisconsin in 1911 and more recent subsequent adoption by each of the remaining 47 states, considerable improvement has taken place in budgeting technique. Many progressive municipal bodies have adopted in whole or in part budgetary control as a plan for equitably financing city government. As a business control device only slight progress had been made in budgeting prior to the World War. Since that

time budgeting has been successfully adopted by many concerns. However, there is much ground to be covered by business concerns before anything like a majority of them will be using the budget for controlling finances. From a World War time organization, the War Chest, dates the real beginning of social agency budgeting in the United States. The four hundred Community Chest organizations throughout the United States--some members of the national organization and others not--practice budget financing in some degree. The National Office of Community Chest encourages budgeting but does not have a compulsory budget plan for member agencies.

National Agencies

Salvation Army budgeting is influenced by local Community Chest and by its own headquarters and territorial offices.

The American Red Cross budget plan is influenced very materially by a uniform plan of budget procedure. Certain modifications of the National Organization plan must be made where the Red Cross participates in Community Chest financing, in order to coordinate it with the local chest plan.

Budgeting in Y. M. C. A.'s and by Y. W. C. A.'s is largely a local proposition due to the local autonomy of the organizations. The national Y. W. C. A. has, it appears, given more emphasis to the budget plan of financing than has the men's organization.

The Boy Scouts of America are insisting on a national uniform plan of budgeting, accounting, and reporting. Considerable progress has already been made in this direction.

The Boys' Club Federation of America recommended a uniform plan of financing which has been adopted by about ten per cent of its members.

Chicago Agencies

Agency budgeting in Chicago has not felt the influence of a central agency such as the Community Chest. Neither has the Association of Commerce Subscription Investigation Committee stressed budgeting as a means of more effective financial control. Of the agencies investigated, fourteen did not budget; sixteen had budgeted from one to five years; the others had budgeted from five to twenty-five years. Those which did not budget offered rather flimsy excuses for their failure to adopt the plan for financing. Chicago agencies are in need of a budget impetus from some persuasive influence such as an endorsement committee, foundation, or a central council of agencies. A well-planned system of securing and spending funds would save materially for Chicago agency subscribers. A comparison of budget methods in Chicago agencies as a whole with budget plans of leading Community Chests throughout the United States and with the financing plan of the Chicago Jewish Charities shows rather conclusively the stimulating effect of a central board on budget preparation and financial control.

The actual raising of funds by a central agency has been opposed by a number of the Chicago agencies on the grounds of losing the personal contact with subscribers and donors. This argument has some merit but no doubt is partially answered by a lower cost of raising funds under a central financing plan.

Preparation

A number of practical questions were raised and answered in Chapter IV. Some six groups of executives of as many different titles were in charge of budgeting in 28 Chicago agencies. In 19 of the 28 cases the executive in charge of budgeting was the superintendent.

In 6 of the 28 agencies, the budget was prepared by the superintendent; in 7 cases by the accountant and superintendent; in 4 cases by a finance committee from the board, and in the other 11 cases by nine combinations of titles. The most acceptable general procedure is to have estimates prepared by department heads under the supervision of the superintendent, accountant, or a budget committee.

Time of Preparation

Twenty-two out of the 28 agencies used the calendar year as their budget year. The other six used a different fiscal year. The month of preparation varied. In fact, February and April were the only months not indicated as the preparation period.

The fiscal year should be carefully chosen with respect to closing the books during the slack period of activity, preparation of statements to coincide with supporting financial agencies and a favorable period to appeal to the public for financial support.

Preparation should begin early enough to warrant sufficient time for adequate study of facts and conditions.

Twenty-six agencies formulated the budget for a twelve-month period and two others for six-month periods. The length of the period may well vary. One suggestion is that the length of the budget period may vary indirectly with the increase in the hazards involved.

Budget Forms

Stereotyped budget forms for all purposes are to be condemned. However, a definite form for preparing and presenting estimates is desirable. The Jewish Charities of Chicago has done an excellent piece of work in designing forms and prescribing a general method of budgetary procedure. Other agencies draw up

estimates on varied typewritten forms.

Time Spent in Preparation

Only a few of the agencies knew just what length of time was required in preparation of estimates. General answers indicated that the periods varied from seven days to six weeks. The time may well vary according to: efficiency of those in charge; available information; and the stage reached in perfection of procedure. In fact, successful budgeting is a continuous process.

Consolidation and Approval

Estimates should be consolidated with a view to giving a clear picture of estimated income and expense items for the organization as a whole. This picture should seek to coordinate all activities.

It is generally considered an excellent plan for the board of directors to review, revise (if revision is necessary) and finally approve budget estimates. Such procedure offers the advantages of a systematic study of the future plans and an approval of a goal for the executives to work towards.

The Jewish Charities of Chicago is the final authority for approving the budget of its member agencies. Budget estimates for other agencies are approved by the Board of Directors or by some committee of the board.

Enforcement

Seldom is it that a budget program can be carried out just as it is planned. Adjustments are necessary in order to keep expenditures within receipts. It is well that a responsible person in close touch with accounting and financial records be designated to see that departments are keeping within reasonable limits of the adjusted estimates. This appeared to be a

real weakness in a number of the agencies investigated. One method of exercising this control is to record each income and expense item as it occurs and before giving approval for additional expenditures to see that the requested amount is within the estimate. A second method is to prepare monthly statements showing budget estimates and accumulated actuals to date.

Budget Recommendations

Though Chicago has a number of high ranking social agencies, there is room for improvement in the financial administration of many of them. The writer does not consider a central plan of raising funds as absolutely essential to successful financing; yet, a better planned financial program would, no doubt, be more speedily accomplished by having a central influencing body with considerable power to direct. No one would deny that agency problems are of sufficient importance to merit careful and continued study and adjustment, because a number of the Chicago agencies spend in excess of a million dollars annually while many others spend more than a hundred thousand annually.

It is therefore recommended that Chicago organizations such as the Association of Commerce, Central Council of Agencies and Wieboldt Foundation, advocate and gradually require a coordinated plan of accounting and budgeting for all agencies on their approved or preferred list. In due time some of the following advantages would accrue to the individual agencies and to social welfare in general:

1. A definite plan of financial administration would be created.
2. Clearer lines of authority would be set up in each organization.
3. Individuals and methods would be placed under closer

scrutiny and the ineffective eliminated.

4. Specific plans for accomplishing a definite goal would be pursued more vigorously.

5. Agencies would tend more to be located where the needs are greatest instead of where the money is plentiful.

6. Duplications of work would be eliminated.

7. Budgets would be balanced.

8. Definite cost standards of raising funds, administration, fixed assets, case work, foods, etc., would be established.

9. Ineffective agencies would perish by their lack of efficiency.

10. New agencies would not be authorized unless conditions warranted.

Development of Accounting

The development of the section on Accounting as a tool for administration was handled in a somewhat different manner from the section on budgeting. In this treatment no separate manual was presented, as was the case under budgeting. Rather, a plan of system installation was woven into the six chapters on accounting. Too, this section sought to coordinate the material on budgeting and accounting. Since a successful plan of budgetary control is predicated upon an adequate system of double entry accounting, a natural order of treating the material would have been to discuss accounting before budgeting, but the writer was interested in placing the major emphasis upon budgeting; thus he gave it first place in the discussion. For the most part, the national agencies which have influenced budgeting through their member agencies have likewise influenced uniform and more meaningful accounting records and reports.

Community Chest Sets Up Cross Current

The Community Chest movement has in many instances brought about a decided improvement in budgeting and reporting methods. On the other hand, in some few cases, it has created a cross current which has checked the progress of the budgeting and reporting system set in motion by a national organization. A point in case would be the American National Red Cross. The National Office of the Red Cross has developed a thorough system of accounting and budgeting for its agencies, and yet, in Community Chest cities it must to a degree conform to the financial procedure as prescribed by the local chest.

Chicago Agencies

As pointed out in Chapter II, each Chicago agency on the approved list of the Subscription Committee of the Association of Commerce must maintain a system of accounting which will provide for an audit by a licensed accountant. The Association of Commerce requirement has done a great deal toward forcing agencies to separate agency funds from personal funds so that a verification may be made of the agencies' financial operations. Social agency accounting has much room for improvement. Definite good can come from developments such as these:

1. Improve accounting systems so that managerial effectiveness may be measured and so that each department head may know his operating progress.
2. Improve accounting system so that it coordinates with a budget plan. Very little headway has been made in this direction.
3. Extend accounting systems so that unit comparative cost may be made of major expenses.

4. Design and execute the system so that a complete record of all assets, liability and proprietorship items may be maintained.

5. Train agency directors and agency accountants in a broader understanding of accounting application and interpretation. This may be accomplished from the directors' standpoint through a new impetus on accounting in schools of Social Service Administration and through the hiring of better trained accountants, instead of expecting just any person to be able to act as bookkeeper.

Valuation of Assets

Too, a major criticism of the present status of Chicago agency accounting is that it fails to provide satisfactory managerial information. This can be remedied by the suggestions made above. A second criticism is that wholly inadequate attention is given to the problem of valuation of assets, particularly fixed assets. It is also true that receivables are usually omitted entirely or are shown gross, without any provision for probable losses.

Relatively few agencies can tell the value of their properties. The writer has in mind two large hospitals which accounted for cash, securities, and receivables on their balance sheet, but made no attempt to account for fixed assets such as land, building, and equipment. In both of these cases the agency accountant estimated that the properties had a conservative value of more than two millions of dollars. This general failure to account for fixed assets is supposedly warranted on some such grounds as the following:

1. The principal responsibility of the agency is to operate efficiently and to account for current income and expense

items.

2. Permanent equipment is not provided out of current operating funds but out of special contributions.

3. Depreciation should not be included as an operating expense because it is not a current outlay and because it may confuse those not proficient in accounting.

4. Governmental property is not carefully evaluated or depreciated, thus why should social agency property be more accurately accounted for?

These arguments are supported by tradition, therefore are difficult to refute because of prejudices. The writer doubts if they are clothed with the sanctity of merit that some accept. At least it is well to consider such facts as these:

1. A failure to show fixed assets in the balance sheet creates an incomplete picture of the worth of the agency.

2. A failure to carry a proper value of assets in the records makes for confusion in case of fire insurance claims.

3. A failure to include depreciation as a part of total cost makes for incomplete total cost information. Comparative figures of different agencies may be out of line because of the expensive plant in one case and a relatively inexpensive plant in another case.

4. Such agencies as hospitals, where a charge is made for service, never know total operating cost where depreciation is not included.

5. A failure to include depreciation as a part of operating cost makes for an inequitable total cost comparison in a case where an administrator of child welfare seeks to compare cost of caring for children in a dormitory as compared to cost in a foster home. At least this question of depreciation should

receive uniform treatment in agency accounting. Such is not the case in Chicago agencies.

Objectives of the Investigation

In the final paragraph of the first chapter four general objectives were listed. These the writer feels have been partially accomplished.

First, that managerial agency problems similar to problems of a profit-seeking concern have been discovered and uses of accounting and budgeting have been emphasized as indispensable planning and control devices. Better managed agencies are adequate proof that it is much more satisfactory to operate under a definite financial plan than it is merely to hope that income will be sufficient to take care of expenditures.

Second, the general status and influence of accounting in Chicago agencies has been discovered and enumerated. There remains much room for improving accounting records and reports so as to give a complete picture of the operating condition and financial position.

Third, public accountants and their interest in securing agency accounting audits as demonstrated by the prominent firms performing the service is evidence of an important field of practice. The writer does not think the field will be particularly lucrative to the public accounting profession, but it is a profitable field for service with little ultimate expense to the accounting firms. The class of service may be generally improved by emphasizing a managerial type of statement as well as financial verification. Agencies may aid and improve their auditing service by switching their audit periods to the slack business period of the public accountant, namely from April to August.

Fourth, the application of accepted accounting and budgetary

control principles and techniques has been demonstrated as to:

- a. Advantages to management.
- b. Method of organizing for budgetary control.
- c. Method of preparation, coordination, approval, adjustments and enforcements.
- d. Method of designing the accounting system: classification of accounts, journals, ledgers, vouchers, and reports.

Certain business aspects of all forms of management whether it be commercial, governmental, or social agency, are fundamentally the same. More successful operation is sure to arise from careful planning and control, regardless of whether the undertaking is for profit or philanthropy. Careful planning can best be carried on by a statement of policies in terms of future accounts --the budget way.

Limitations

The writer would not place himself in the position as one who advocates tools for management for the purpose of direction and exercising control without regard for the human element. On the other hand, he would have it clearly understood that one of the cardinal factors of management is the human factor. No organization can be set up mechanically, as a great oil-burning motor, where the framework and each part is created according to mathematical accuracy and is fixed in position so that there is negligible waste motion.

So long as human beings are an important part of the picture--as they will continue to be in all forms of management--neither can there be a selection of parts with any degree of mathematical accuracy nor a placing of parts--human beings--so as to

approach a negligible quantity of waste motion. The best man for the right place is only an approximation to a desirable principle of an effective organization.

Too, one must not in attempting to adapt business devices to social organizations become enamored with a vision and forget the viewpoint of the social service-trained and social service-minded. Tolerance must be practiced until man's grasp causes him to see more than one angle of a many-sided question.

It is entirely with a view to emphasizing accounting and budgeting as tools, as means to an end and not the end itself, not as a substitute for influential board members or well trained agency directors and workers, nor as a substitute for prestige or a long record of service, that these devices for a clearer planning and exercise of control have been suggested.

The writer is also cognizant of the fact that he has not in any sense touched on the theories and application of the question of management as a whole. Such was not intended. There are too many angles to the all-important question which is as yet in an embryonic state. Volumes are being written on the subject. This treatise has only attempted to present some of the important questions involved in the control tools of accounting and budgeting, while the questions of policies, organization, direction, supervision, and control have been discussed only as they inter-dispersed budgeting and accounting.

